

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 AGRE-00 L-03
AID-05 CIAE-00 INR-10 NSAE-00 SP-02 SSO-00 INRE-00
SS-15 /069 W
-----100080 141210Z /11

O R 141031Z MAR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1038
INFO AMEMBASSY LONDON
USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 1910

FOR COUNSELOR NIMETZ

PASS USDA/FAS ELECTRONICALLY

E.O. 11652: GDS
TAGS: ETRD, BIDS, EAGR, TU
SUBJ: TRADE COMPLAINT: CONTINENTAL GRAIN VS TURKISH GOVERNMENT

REF: ANKARA 1909

1. SUMMARY. NEGOTIATIONS BETWEEN CONTINENTAL
GRAIN OFFICIALS VISITING ANKARA MARCH 8-11 AND TMO
HAVE BEEN RECESSED UNTIL CONTINENTAL GRAIN SUBMITS A
REVISED CLAIM FOR DAMAGES, AND UNTIL TMO
OFFICIALS CAN OBTAIN THE APPROPRIATE CLEARANCE
WITHIN GOT AND POSSIBLY A PARLIAMENTARY DECREE TO PAY THE
PENALTIES IN KIND. END SUMMARY

2. CONTINENTAL GRAIN OFFICIALS AND THEODORE
SORENSEN, CONTINENTAL'S LEGAL COUNSEL, FIRST
MET BRIEFLY WITH MINISTER OF AGRICULTURE YUCELER, AT
HIS REQUEST ON MARCH 8. THE MINISTER INFORMED THE GROUP
THAT DURING THE SHORT PERIOD HE HAD BEEN MINISTER OF
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AGRICULTURE HE HAD ACQUAINTED HIMSELF FULLY WITH ALL AS-
PECTS OF THE CASE. HE SAID HE WANTED TO SETTLE THIS
PROBLEM AS SOON AS POSSIBLE IN AN AMICABLE WAY. HE
APOLOGIZED FOR THE OCCURRENCE OF THIS DISPUTE AND THE FACT
THAT IT HAD NOT BEEN SETTLED EARLIER.

3. SORENSEN LEFT WITH THE MINISTER FOR

STUDY A PROPOSAL BY CONTINENTAL GRAIN TO PURCHASE 1.2 MILLION METRIC TONS OF WHEAT FROM TMO OVER A PERIOD OF A YEAR AT A DISCOUNT OF 200 SWISS FRANCS PER METRIC TON FOR THE FIRST 100,000 TONS AND 80 SWISS FRANCS PER TON FOR THE BALANCE OF THE PURCHASE. THE BASE SELLING PRICE WOULD BE DETERMINED BY A FORMULA SET OUT IN THE PROPOSAL. CONTINENTAL'S DAMAGE CLAIM WOULD BE SATISFIED BY THE TOTAL AMOUNT OF DISCOUNT FROM THIS BASE PRICE. IT BECAME CLEAR DURING DISCUSSIONS BETWEEN THE TWO SIDES THE FOLLOWING DAY, HOWEVER, THAT CONTINENTAL'S PROPOSAL WAS TOTALLY UNACCEPTABLE TO THE TURKS.

4. MOST OF THE DISCUSSION IN FACT CENTERED AROUND THE AMOUNT OF ACTUAL LOSS SUFFERED BY CONTINENTAL GRAIN. TMO'S CALCULATIONS EXCLUDED INTEREST PAYMENTS AND EXCHANGE RATE CHANGES, AND WERE BASED ON THE WHEAT PRICES PREVAILING IN JULY 1975, RATHER THAN OCTOBER 1974, THE DATE OF THE CONTRACT WHEN PRICES WERE AT THEIR PEAK. BY THAT FORMULA ACTUAL LOSSES TO CONTINENTAL GRAIN WERE NOT MORE THAN APPROXIMATELY \$14 MILLION; TMO LATER AGREED TO INCREASE THE AMOUNT TO \$17.5 MILLION. CONTINENTAL GRAIN'S CLAIM WAS THAT THEIR OUT-OF-POCKET LOSSES WERE \$57 MILLION, BUT THIS AMOUNT WAS ALSO LATER REDUCED.

5. DURING THE NEGOTIATIONS IT WAS AGREED IN PRINCIPLE THAT PAYMENT BY TMO WOULD BE IN KIND. TMO OFFERED \$9 MILLION WORTH CONFIDENTIAL

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OF WHEAT, AND THE BALANCE IN POPPY STRAW AND LENTILS, WHILE REPRESENTATIVES OF CONTINENTAL GRAIN OFFERED TO TAKE 100,000 TONS OF WHEAT WORTH ABOUT \$12 MILLION PLUS \$16 MILLION WORTH OF OTHER COMMODITIES WITH THE STIPULATION THAT IF THEY COULD NOT SELL THE OTHER COMMODITIES THE BALANCE WOULD BE MADE UP WITH WHEAT. EVENTUALLY, HOWEVER, AS THE TWO SIDES COULD NOT AGREE ON THE AMOUNT OF DAMAGES TO BE REIMBURSED TO CONTINENTAL, NEGOTIATIONS WERE SUSPENDED ON THE DAY BEFORE THE SORENSEN GROUP'S DEPARTURE WHILE TMO SOUGHT FURTHER NEGOTIATING INSTRUCTIONS FROM HIGHER AUTHORITIES.

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INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 AGRE-00 L-03

AID-05 SS-15 CIAE-00 INR-10 NSAE-00 SP-02 SSO-00

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TO SECSTATE WASHDC IMMEDIATE 1039

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USMISSION GENEVA

C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 1910

FOR COUNSELOR NIMETZ

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6. SORENSEN WAS INFORMED THE MORNING OF MARCH 11 (HE WAS SCHEDULED TO DEPART AT 2:00 PM THAT DAY) THAT HIGHER AUTHORITIES HAD NOT COME TO ANY AGREEMENT AND NO FURTHER MEETING COULD BE SCHEDULED BEFORE THE DEPARTURE OF THE TEAM. SORENSEN ASKED FOR A PRIVATE MEETING WITH THE HEAD OF THE TURKISH DELEGATION, DEPUTY UNDERSECRETARY OF AGRICULTURE SAHIN, WHO AGREED TO MEET BRIEFLY AT SORENSEN'S HOTEL. SAHIN SAID THAT TWO PROBLEMS REMAINED: THE AMOUNT OF DAMAGES DUE CONTINENTAL GRAIN (HE AGREED THAT BOTH SIDES WERE VERY CLOSE AND REQUESTED THAT CONTINENTAL SUBMIT A FURTHER OFFER) AND TH OTHER, THE MAIN OBSTACLE, THE IMPLEMENTATION OF ANY SETTLEMENT AGREED UPON, SAHIN ALSO NOTED THAT TMO MUST NOT ONLY OBTAIN CONSENT FROM OTHER AGENCIES, SUCH AS THE MINISTERS OF FINANCE, COMMERCE AND AGRICULTURE TO MAKE THE PAYMENT IN KIND, BUT THAT IT MIGHT ALSO BE NECESSARY TO OBTAIN SPECIAL LEGISLATION TO DO SO SINCE PAYMENT IN KIND IS NOW PROHIBITED BY LAW. SAHIN INDICATED THAT TMO WILL START THE PROCESS OF OBTAINING NECESSARY APPROVALS THIS COMING WEEK BUT HE GAVE CONFIDENTIAL

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NO INDICATION OF HOW LONG THIS PROCESS MIGHT TAKE. THE CONTINENTAL TEAM DEPARTED AS SCHEDULED MARCH 11. IT EXPECTS TO RETURN FOR FURTHER NEGOTIATIONS ONCE TMO HAS RECEIVED THE NECESSARY AUTHORITY TO PAY IN KIND.

8. THE TEXT OF A STATEMENT WRITTEN BY SORENSEN CONCERNING THE NEGOTIATIONS CONTAINING VIEW OF CONTINENTAL GRAIN OFFICIALS IS BEING TRANSMITTED BY SEPTTEL.

9. COMMENT. THE SORENSEN GROUP WAS AT FIRST ENCOURAGED

BY THE FACT THAT TMO HAD ACKNOWLEDGED ANY OBLIGATION AT ALL, UNLIKE THE CASE IN PRVIOUS DISCUSSIONS. IT SEEMS, HOWEVER, THAT THE TURKS HOPE TO DISCHARGE THIS OBLIGATION IN MINIMAL FASHION. CONTINENTAL IS UNLIKELY TO ACCEPT PAYMENT IN LENTILS AND POPPY STRAW. BOTH ARE IN SURPLUS IN WORLD MARKETS AND THE TURKS THEMSELVES HAVE HAD TROUBLE EXPORTING THEIR STOCKS OF THESE TWO COM-MODITIES. THE GOVERNMENT WILL PROBABLY BE MOST RELUCTANT TO PART WITH MUCH FROM ITS WHEAT STOCKS, AGAINST WHICH IT HOPES TO ARRANGE IMPORTS OF CRUDE OIL FROM WHEAT-BUYING OPEC NEIGHBORS. ALTHOUGH THE DISCUSSIONS REPRESENTED CONSIDERABLE PROGRESS TOWARD A SOLUTION OF THE CONTINENTAL COMPLAINT, DIFFICULT NEGOTIATIONS COULD REMAIN BEFORE FINAL AGREEMENT IS REACHED. FURTHERMORE, IT MAY BE SOME TIME BEFORE THE TURKS CAN GET LEGISLATION TO ENABLE THME TO PAY IN KIND.

10. FINALLY, IT WAS ALSO NOTEWORTHY THAT A REPRESENTATIVE OF THE TURKISH MFA, BEHIC HAZAR, DIRECTOR GENERAL, BILATERAL ECONOMIC AFFAIRS, PLAYED A VERY PROMINENT (AND NOT ALWAYS POSITIVE) ROLE IN THE NEGOTIATIONS.

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